S&P Global
Ratings

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Huntingdon County General Authority, Pennsylvania
Juniata College; Private Coll/Univ - General Obligation

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US$17.705 mil rev bnds (Juniata Coll) ser 2021 TT3 due 04/01/2051		
Long Term Rating	BBB/Stable	New
Huntingdon Cnty Gen Auth, Pennsylvania		
Juniata Coll, Pennsylvania		
Huntingdon Cnty Gen Auth (Juniata Coll)		
Long Term Rating	BBB/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'BBB' rating to Huntingdon County General Authority, Pa's $17.7 million series 2021 TT3 revenue bonds issued for Juniata College (Juniata). At the same time, S&P Global affirmed its 'BBB' rating on Juniata's debt outstanding. The outlook is stable.

Bond proceeds from this issue will be used to refund the series 2004 and 2016U1 bonds as well as provide $13 million in new money to help fund various capital projects, including the renovation of the library. At May 31, 2021, Juniata had $56.7 million of debt outstanding including operating and capital leases. With this issue, debt will rise to $68.9 million on a pro forma basis. Bondholders from this issue will benefit from a debt service reserve. All college debt is on par and is a general obligation (GO) of the college and subject to a 1.05x rate covenant. Management reports no plans to issue debt over the next two years. Juniata also has an unsecured line of credit for $5 million, which has not been drawn.

For fall 2021, Juniata resumed in-person learning while offering some accommodation to students with medical needs. Graduate learning, a small component of overall enrollment, has continued online as was the case pre-pandemic. For fall 2021, Juniata's full-time equivalent (FTE) enrollment declined 1.8%; however, the incoming freshman class was flat compared with the previous year. Overall international students increased from the lows of the prior academic year and account for 9% of total FTEs compared with 7% in the previous year. Overall, we believe that enrollment remains pressured due to the COVID-19 pandemic and the demographic and competitive landscape in the region.

Juniata received a total of $5.5 million under the Higher Education Emergency Relief Fund. Of this amount, the college applied $1.2 million of the institutional portion toward fiscal 2021 and has $1.4 million available to be realized in fiscal 2022 or beyond. For fiscal 2021, Juniata achieved break-even operations at $790,000 with the use of federal stimulus funds as well as a 10% endowment draw. The elevated endowment draw, however, helped fund expenses associated with a voluntary severance program and an early retirement program, as well as funding various capital improvements. Management is budgeting for break-even operations for fiscal 2022 with the use of federal stimulus funds and a more moderate 6% endowment draw, which we believe is achievable given the cost reductions that have been implemented.

Credit overview

We assessed the college's enterprise profile as adequate, with satisfactory student quality and stable retention. Enrollment has been pressured due to declining demographics and the highly competitive regional market in which Juniata operates. The college's financial profile is also assessed as adequate, with sufficient available resources and debt burden for the rating category, offset by ongoing operating deficits. We believe these credit factors, combined, lead to an indicative stand-alone credit profile of 'bbb' and final long-term rating of 'BBB'.

The rating reflects our opinion of Juniata's GO pledge, supported by its:

- Weak operating results on a generally accepted accounting principles (GAAP) basis, which should continue during the outlook period;
- High endowment draw over the past four fiscal years for new programs or other strategic investments, which we view as unsustainable over the longer term;
- Declining enrollment over the past several years, due largely to a highly competitive market for students; and
- High tuition discount rate, indicative of financial aid pressure.

We believe somewhat offsetting credit factors include, what we consider, Juniata's:

- Modest-but-adequate available resources to support the rating, with cash and investments of $143.7 million at May 31, 2021, or 160% of adjusted operating expenses and 209% of pro forma debt; and
- Moderate pro forma maximum annual debt service burden at 5.1% of fiscal 2021 adjusted operating expenses.

The stable outlook reflects our expectation that Juniata will continue to work to stabilize its enrollment and maintain or improve its operations while moderating its endowment draws. We also expect that available resources will be maintained at current levels or higher.

Founded in 1876, Juniata has been an undergraduate, coeducational liberal arts college since its inception. The college is on a large 1,000-acre campus in Huntingdon in south-central Pennsylvania. The university also has property at the Field Station and Sparks Farm outside of Huntingdon. Juniata enrolled 1,312 students in fall 2021.

Environmental, social, and governance (ESG) factors

In our view, Juniata, similar to other higher education institutions, faces elevated social risk due both the pandemic and changing demographics in the region. While vaccine progress has helped alleviate some of the health and safety social risk stemming from the pandemic, we believe the higher education sector remains one at greater risk than other sectors given the importance of the resumption of pre-pandemic activities and the corresponding influence on operating revenue. We believe management has taken prudent action regarding the health and safety of its students, including implementing remote learning in spring 2020 and adopting a hybrid approach for the 2020-2021 academic year. This fall, Juniata has encouraged vaccinations for all students, faculty, and staff to protect the health and safety of students and is regularly testing unvaccinated students and staff. Currently, vaccination rates among students, faculty and staff exceed 85%. We believe uncertainty remains on the trajectory of the pandemic due to the highly contagious delta variant. In addition, we believe that Juniata is also affected by demographic pressure, which we view as a social capital risk. A lower number of high school students are expected to graduate in Pennsylvania for the next several years, which could add to the enrollment pressures. Despite the elevated social risk, we believe Juniata's environmental and governance risks are in line with our view of the sector as a whole.

Stable Outlook

Downside scenario

We could lower the rating during the outlook period if the college were to report either increased operating deficits on a GAAP basis or endowment draws on a sustained basis, or available resources were to weaken. While not anticipated, a violation of any covenants that results in an acceleration of bank loans could also trigger a lower rating.

Upside scenario

We do not expect to raise the rating during the outlook period. However, if management were to report stable-to-positive demand and improve operations on a GAAP basis while lowering its endowment draw to within 5%, and available resources-to-operations and debt ratios were maintained, we could raise the rating.

Credit Opinion

Enterprise Profile

Market position and demand

About 63% of Juniata's students come from within the state of Pennsylvania. This has resulted in a pressured operating environment with competition from other colleges and universities in the state and declining demographics. As a result, enrollment has declined over the past several years. Juniata's FTE enrollment has declined an average of 3.3% each year over the past five years. FTE enrollment decreased 3.9% and 1.8% in fall 2020 and 2021, respectively. Overall FTE enrollment for fall 2021 is 1,289, which is approximately 11% lower than five years ago. Although applications increased for fall 2020 and held steady for fall 2021, selectivity weakened to 74.5% from the previous year; and overall matriculation weakened to 16%, in part due to COVID-19, as well as overall competition. Overall, the incoming freshman class for fall 2021 was comparable with that in the previous year, which could be indicative of stabilization in enrollment trends. Management has focused on retention, and the freshman-to-sophomore retention rate was largely maintained for fall 2021 at 86% compared with 84% in the previous year. Despite declines in enrollment and competitive pressures, Juniata has remained committed to maintaining its student quality. Student quality for the fall 2021 incoming freshman class remained above average, with an average SAT score of 1243, which is consistent with that of peer institutions and improved over the previous year. As a result of the competitive market in which Juniata operates, the tuition discount rate remains high at 61.7%. However, management managed to lower the rate in fiscal 2021 by 1%. Management reports that net tuition revenue per freshman student for fall 2021 is higher, as Juniata continues to focus on retaining quality while moderating the discount rate. While management has focused on investing in programs that have higher demand and broadening its reach through launching several new programs, we believe Juniata will continue to face enrollment pressures post-pandemic.

Juniata has a successful, but limited, history of fundraising and achieving its goals. Its largest campaign started in 1998 and ended in 2005: It raised $103.4 million. In October 2018, Juniata went public with its current comprehensive campaign. As of May 31, 2021, the college has raised $128.6 million, exceeding its $115 million goal. The campaign ended in fiscal 2021 and management is evaluating its next fundraising goals.

Management and governance

President James Troha has been president of the college since fiscal 2013. Juniata has had relatively stable senior leadership over the past several years and the most recent addition to the leadership team was the appointment of Dr. Crystal Sellers Battle in August 2021 as dean of equity, diversity, and inclusion.

A maximum 40-member, self-perpetuating board of trustees governs college operations. In our opinion, the board is stable. According to management, the board actively supports the college and has contributed substantially to its current comprehensive campaign. The board of trustees reviews the college's written debt- and investment-management policies annually.

The board approved a new strategic plan in April 2015 and is in the process of beginning a new strategic plan. The current strategic plan has specific financial and operational goals with defined achievements. Management tracks plan progress through dashboards and updates them formally at least annually. The college annually updates five-year financial plans and builds specific annual capital budgets as part of the budgeting process. Management targets the amount of future capital budgets at the same time, which are tied to annual cash flow and endowment support. We view the assumptions outlined in the financial plans as reasonable. Juniata's debt policy has minimum and maximum thresholds for debt service coverage (DSC) from operating cash flow, debt burden, and expendable resources-to-operations and debt ratios. Management is moving toward GAAP-based interim financial statements, which we view favorably.

Financial Profile

Financial performance

From fiscal 2013-2016, Juniata's financial operations on a GAAP basis were essentially break-even, with the college posting small deficits or surpluses in those years. However, beginning in fiscal 2017, operating deficits began to increase. This is, in part, due to four consecutive years of declining net tuition revenue because of both falling enrollment and increasing discount rates. For fiscal 2020, Juniata reported a $1.2 million operating deficit or a negative 1.4% margin. This included a 7% endowment draw. However, the margin improved over fiscal 2019, as the 2019 deficit was $3.1 million and had a similarly high endowment draw. This deficit in 2019 increased as a result of higher medical and food services costs. Juniata estimates the financial impact of the pandemic for the spring semester is largely related to the approximately $3.6 million it paid in the form of room and board refunds, which was partially offset by CARES Act funds of $1.1 million. Half of the CARES Act money went directly to aid students with emergency funding; the remainder was used to offset a portion of the institutional costs related to COVID-19. Juniata used $437,000 of its institutional portion in fiscal 2020. This funding, along with a 3% reduction in operating expenses from a salary freeze, limits on discretionary expenditures, and furloughs, helped moderate losses.

For fiscal 2021, management continued to focus on budgetary measures with operating expenses held flat, which, along with federal stimulus funds, resulted in a $790,000 surplus. Management offered a voluntary separation incentive program to faculty and staff with an estimated six-year savings of $5.4 million. The cost of the program was funded by the additional endowment draw. The college suspended its share of retirement contributions for an estimated savings of $900,000. Additional measures in fiscal 2021 included furloughs, decreased discretionary expenditures, a pay reduction for the president and vice presidents, as well as other savings. For fiscal 2022, management is budgeting for a slight deficit on a GAAP basis at a more normalized endowment draw. We believe that operations will remain pressured over the near term given enrollment trends, rising discount rates, and the need to continue to contain expenses to bring them in line with revenues.

In fiscal 2021, Juniata increased its endowment draw to 10% but of the almost $12 million draw, 5.5% was spent on operations. The remainder was used for the voluntary separation program, a compensation study, technology investments, and capital improvements.

In our opinion, Juniata depends greatly on student-generated revenue. Tuition and auxiliary enterprises generated 84% of fiscal 2021 adjusted operating revenue. Tuition and fees, including room and board, increased 2.7% to $64,126 in fall 2021 from $62,425 in fall 2020, which is comparable with those of peer institutions. Juniata's overall discount rate is high, in our view, at 61.7% in fiscal 2021. Because the college is overwhelmingly undergraduate, graduate programs, which typically receive minimal discounting, do not help reduce the overall discount rate. Graduate programs at Juniata were first launched in fiscal 2012 and while growing, remain small at only 14 FTEs. We expect the discount rate will remain high because Juniata operates in a highly competitive market, leading to continued operating strain.

Available resources

In our opinion, available resource ratios are sufficient for the rating category. Cash and investments, which include restricted assets, were $143.7 million at May 31, 2021, or 160% of adjusted operating expenses and 208.5% of pro forma debt. Expendable resources were, in our view, a substantially lower $73 million at May 31, or 82% of adjusted operating expenses and 107% of debt. Any additional debt absent growth in resources would stress the rating.

Juniata's endowment market value was $138 million at August 2021 with a calendar year-to-date return of 13%. While it remains largely restricted, according to management, about 72% of the endowment has donor restrictions. Management allocated the endowment-to-equities (58%), alternative-investment (17%), cash-and-fixed income (13%), and other (12%) ratios as of fiscal year-end 2021. The effective spending rate has historically been about 5%; in fiscal years 2018-2020; however, it was 7% to support specific strategic initiatives. For fiscal 2021, the draw was 10%, as the board elected to take advantage of the Pennsylvania legislature's house bill 2484 that allowed for increased endowment draws. For fiscal 2022, management is budgeting a 6% draw, which includes a 0.5% contingency. We expect the endowment draw to moderate for 2022 and beyond. The board-approved endowment spending rate is 5%-7% of the trailing 12-quarter average and is reviewed each year by the board prior to its approval of the annual budget.

Debt and contingent liabilities

At May 31, 2021, Juniata had $56.3 million of debt outstanding; with this issue pro forma debt will rise to $68.9 million including $461,000 of operating leases. Of this, the series 2016-OO2 bonds are fixed-rate debt. The series 2016 bank loans, with Fulton Bank N.A., have fixed rates for the first seven years through May 2023. We have reviewed the 2016 bank loan documents. We understand that key covenants for these loans mirror those associated with the series 2016-OO2 bonds and that the college could prepay these loans without penalty. With this issue, management plans to refund the outstanding series 2004 bank loan as well as the series 2016U1, mitigating some of the risk of the bank loans.

We do not rate the series 2016 U1 and U2 debt, issued through two bank loans, one of which is bank-qualified. We have reviewed bank documents and concluded Juniata has some resulting event-driven repayment risk exposure due to bank obligations that could come due because of events of default or covenant violations. According to loan documents, an event of default related to non-payment under agreements for any debt outstanding in an amount exceeding $1 million results in a cross-default acceleration, at which time the college would be required to repay immediately.

Juniata, however, would have a 60-day cure period for covenant violations, including its covenant to maintain a 1.05x DSC ratio annually at each fiscal year-end, which is similar to the bond covenant. The college is complying with all debt covenants related to bank loans. Management has identified approximately $114 million of investments it could liquidate within three days to fund the bank loans. We believe these investments provide ample coverage for an acceleration of all college bank loans, totaling $8 million in remaining bank loans post-issuance.

With the planned refunding, total fixed-rate debt will account for 88% of debt, while the series 2016 U2 loan will account for the remaining debt and is variable-rate. All of Juniata's debt is a GO. In addition, the college maintains a $5 million line of credit that it occasionally has drawn on to meet short-term needs but has never had a balance at fiscal year-end.

Juniata offers employees a defined-contribution retirement plan that, by definition, is funded in full. The college carries a $6.4 million postretirement liability on its books, which we believe is manageable. It does not have any swap contracts or bullet maturities.

Juniata College, Pennsylvania -- Enterprise And Financial Statistics

	--Fiscal year ended May 31--					--Medians for 'BBB' rated private colleges and universities--
	2022	**2021**	**2020**	**2019**	**2018**	**2020**
Enrollment and demand						
Headcount	1,312	1,394	1,419	1,433	1,495	MNR
Full-time equivalent	1,289	1,312	1,365	1,381	1,442	2,732
Freshman acceptance rate (%)	74.5	67.5	70.8	70.2	70.8	75.0
Freshman matriculation rate (%)	16.4	17.7	23.8	20.5	21.0	MNR
Undergraduates as a % of total enrollment (%)	97.7	96.1	98.9	99.3	99.3	70.4
Freshman retention (%)	86.0	84.2	85.4	83.9	80.7	79.5

Juniata College, Pennsylvania -- Enterprise And Financial Statistics (cont.)

	--Fiscal year ended May 31--					--Medians for 'BBB' rated private colleges and universities--
	2022	2021	2020	2019	2018	2020
Graduation rates (six years) (%)	75.8	74.2	72.8	79.1	82.9	MNR
Income statement						
Adjusted operating revenue ($000s)	N.A.	90,472	88,466	89,599	88,263	MNR
Adjusted operating expense ($000s)	N.A.	89,682	89,693	92,669	89,957	MNR
Net operating income ($000s)	N.A.	790	(1,227)	(3,070)	(1,694)	MNR
Net operating margin (%)	N.A.	0.88	(1.37)	(3.31)	(1.88)	0.00
Change in unrestricted net assets ($000s)	N.A.	5,287	(3,952)	(2,794)	(376)	MNR
Tuition discount (%)	N.A.	61.7	62.7	59.3	57.7	42.4
Tuition dependence (%)	N.A.	69.4	70.4	67.0	68.5	MNR
Student dependence (%)	N.A.	83.5	83.8	83.4	83.2	88.4
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	3.6	2.2	1.3	1.4	MNR
Endowment and investment income dependence (%)	N.A.	13.6	9.9	9.5	8.5	MNR
Debt						
Outstanding debt ($000s)	N.A.	56,744	57,754	58,841	58,958	62,342
Proposed debt ($000s)	N.A.	17,650	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	68,906	N.A.	N.A.	N.A.	MNR
Pro forma MADS	N.A.	4,580	N.A.	N.A.	N.A.	MNR
Current debt service burden (%)	N.A.	3.70	3.96	3.42	3.54	MNR
Current MADS burden (%)	N.A.	4.52	4.52	4.37	4.51	3.90
Pro forma MADS burden (%)	N.A.	5.11	N.A.	N.A.	N.A.	MNR
Financial resource ratios						
Endowment market value ($000s)	N.A.	136,576	114,658	117,274	122,540	84,815
Cash and investments ($000s)	N.A.	143,678	115,337	114,347	120,870	MNR
Unrestricted net assets ($000s)	N.A.	43,264	37,977	41,929	44,723	MNR
Expendable resources ($000s)	N.A.	73,428	40,718	44,065	49,777	MNR
Cash and investments to operations (%)	N.A.	160.2	128.6	123.4	134.4	86.4
Cash and investments to debt (%)	N.A.	253.2	199.7	194.3	205.0	158.6
Cash and investments to pro forma debt (%)	N.A.	208.5	N.A.	N.A.	N.A.	MNR
Expendable resources to operations (%)	N.A.	81.9	45.4	47.6	55.3	45.7
Expendable resources to debt (%)	N.A.	129.4	70.5	74.9	84.4	83.9
Expendable resources to pro forma debt (%)	N.A.	106.6	N.A.	N.A.	N.A.	MNR

Juniata College, Pennsylvania -- Enterprise And Financial Statistics (cont.)						
	--Fiscal year ended May 31--					--Medians for 'BBB' rated private colleges and universities--
	2022	**2021**	**2020**	**2019**	**2018**	**2020**
Average age of plant (years)	N.A.	18.9	16.7	15.8	14.8	15.6

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Expendable resources = unrestricted net assets + temp. restricted net assets - (net PPE- outstanding debt). Average age of plant = accumulated depreciation/depreciation and amortization expense.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020